
By: **Delegate Love**
Introduced and read first time: February 7, 2003
Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance - Maryland Automobile Insurance Fund - Policies Issued by**
3 **Fund - Cancellation**

4 FOR the purpose of requiring any unearned premium that is due to an insured on
5 cancellation of a policy issued by the Maryland Automobile Insurance Fund to be
6 calculated on a pro rata basis; providing that any minimum premium, expense
7 constant, or similar charge imposed by the Fund on cancellation of a policy
8 issued by the Fund may not exceed a certain amount; and generally relating to
9 policies issued by the Maryland Automobile Insurance Fund.

10 BY repealing and reenacting, with amendments,
11 Article - Insurance
12 Section 20-507
13 Annotated Code of Maryland
14 (2002 Replacement Volume and 2002 Supplement)

15 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
16 MARYLAND, That the Laws of Maryland read as follows:

17 **Article - Insurance**

18 20-507.

19 (a) Subject to the approval of the Commissioner, the Executive Director shall
20 determine the premiums to be charged on policies issued by the Fund.

21 (b) (1) Except as provided in subsection (c) of this section, the provisions of
22 Title 11, Subtitle 2 of this article apply to the determination of premiums by the
23 Executive Director.

24 (2) Notwithstanding Title 11, Subtitle 2 of this article or any other
25 provision of this title, the Executive Director may base premiums on one or both of the
26 following items:

1 (i) the number of points accumulated by an insured or applicant
2 for insurance under the point system provided for in Title 16, Subtitle 4 of the
3 Transportation Article; or

4 (ii) the prior claims experience of an insured or applicant for
5 insurance.

6 (c) (1) Premiums for all commercial coverage shall be determined in
7 accordance with this section and § 20-508 of this subtitle.

8 (2) Notwithstanding paragraph (1) of this subsection, the rating
9 principles under subsection (d) of this section may not be used to determine the
10 premium for commercial coverage.

11 (d) In reviewing rates filed by the Fund, the Commissioner shall consider not
12 only the rating principles under Title 11, Subtitle 2 of this article but also the
13 statutory purpose of the Fund under § 20-301 of this title.

14 (e) (1) The Motor Vehicle Administration and Executive Director may
15 arrange for the Motor Vehicle Administration to collect premiums on policies issued
16 by the Fund when the Motor Vehicle Administration issues a driver's license or
17 certificate of registration.

18 (2) A premium collected under this subsection shall be paid to the State
19 Treasurer for the account of the Fund.

20 (f) (1) The Fund may not:

21 (i) provide directly or indirectly for the financing of premiums; or

22 (ii) accept premiums on an installment basis.

23 (2) A premium may be financed only by a premium finance company
24 registered with the Commissioner in accordance with § 23-201 of this article.

25 (3) If a prospective insured's initial payment to the Fund, a fund
26 producer, or premium finance company is not honored, a policy or endorsement issued
27 in reliance on that payment is void.

28 (G) (1) ANY UNEARNED PREMIUM THAT IS DUE TO AN INSURED ON
29 CANCELLATION OF A POLICY ISSUED BY THE FUND SHALL BE CALCULATED ON A PRO
30 RATA BASIS.

31 (2) ANY MINIMUM PREMIUM, EXPENSE CONSTANT, OR SIMILAR CHARGE
32 IMPOSED BY THE FUND ON CANCELLATION OF A POLICY ISSUED BY THE FUND MAY
33 NOT EXCEED \$75.

34 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
35 October 1, 2003.